

Message Text

CONFIDENTIAL

PAGE 01 TEL AV 05087 060655Z

11
ACTION SS-25

INFO OCT-01 ISO-00 /026 W
----- 094259
P 060508Z AUG 75
FM AMEMBASSY TEL AVIV
TO SECSTATE WASHDC PRIORITY 7829

C O N F I D E N T I A L TEL AVIV 5087

EXDIS

E.O. 11652: GDS
TAGS: EAID, IS, ECON, EFIN
SUBJ: FY-76 AID TO ISRAEL-REVISED "BLUE PAPER" ESTIMATES

REF: STATE 164032; TEL AVIV 0279; AND STATE 184174

1. DURING MY COURTESY CALL ON FINANCE MINISTER RABINOWITZ AUGUST 4, HE HANDED OVER COPY OF REVISED ESTIMATES PREPARED IN RESPONSE TO QUESTIONS GIVEN ISRAELI EMBASSY ON JULY 11. HE SAID PAPER WAS BEING DELIVERED SIMULTANEOUSLY IN WASHINGTON TO STATE, TREASURY, DOD, AND STR. REFERRING TO JULY 12 DISCUSSIONS IN BONN BETWEEN PRIME MINISTER RABIN AND SECRETARY, RABINOWITZ SAID GOI WISHED TO SEND TEAM OF OFFICIALS TO WASHINGTON TO PROVIDE FURTHER DETAILS AND BACKGROUND ON REVISED ESTIMATES. TEAM WOULD CONSIST OF ARNON GAFNI, DG, MIN OF FINANCE; EPHRAIM DOVRAT, ECONOMIC ADVISER, MIN OF FINANCE; AND DAVID KOCHAV, FINANCIAL ADVISER, MIN OF DEFENSE.

2. RABINOWITZ NOTED THAT NEW PAPER PPOVIDES UPDATING OF ESTIMATES IN BLUE PAPER OF LAST JANUARY AS WELL AS APPRAISAL OF CURRENT ECONOMIC SITUATION. ECONOMY IS RESPONDING REASONABLY WELL TO CURRENT POLICY AIMED AT SLOWING DOWN ECONOMIC ACTIVITY WITHOUT CAUSING UNACCEPTABLE UNEMPLOYMENT. GROWTH OF GNP, INFLATION, CONSUMPTION, REAL WAGES ARE ALL DECLINING, HE SAID. UNFORTUNATELY, HOWEVER, FOREIGN DEBT SERVICING IS INCREASING RAPIDLY AND WILL TOTAL \$1.25 BILLION NEXT YEAR. BOP CURRENT ACCOUNT DEFICIT IS

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TEL AV 05087 060655Z

EXPECTED TO TOTAL \$4 BILLION IN 1976 AS DEFENSE IMPORTS

CONTINUE TO RISE.

3. REFERRING TO RECENT ANTI-INFLATION MEASURES, RABINOWITZ SAID THAT HE BELIEVED NO OTHER COUNTRY HAD DONE AS MUCH AS ISRAEL IN RESTRAINING ITS ECONOMY. ONE OPTION, MASSIVE UNEMPLOYMENT, WAS NOT POSSIBLE FOR ISRAEL SINCE STATE DEPENDED ON INFLOW OF IMMIGRANTS FOR ITS VITALITY AND SECURITY AND THEY WOULD NOT COME IF THERE WERE NO JOBS. HE HOPED USG WOULD TAKE THESE ASPECTS INTO ACCOUNT IN CONSIDERING ISRAEL'S REQUEST FOR ASSISTANCE.

4. IN SUBSEQUENT DISCUSSIONS WITH EMBOFFS, GAFNI AND DOVRAT PROVIDED FOLLOWING INFORMATION ON POINTS IN REVISED ESTIMATE PAPER:

A. THE LARGEST CHANGE FROM BLUE PAPER FIGURES IS INCREASE IN DIRECT REPEAT DIRECT MILITARY IMPORTS FROM U.S. OF \$300 MILLION, TO TOTAL OF \$1.8 BILLION. (BLUE PAPER HAD \$1.5 BILLION DIRECT MILITARY IMPORTS AND \$300 MILLION INDIRECT IMPORTS FOR DEFENSE). THEY STRESSED THAT NO NEW PROGRAMS INVOLVED AND THAT THIS WAS "BOOKKEEPING" OPERATION REQUIRED BY DELAYS IN PROCUREMENT IN PREVIOUS YEARS. THE "UNCOVERED DEFICIT" INCREASES \$180 MILLION TO \$2,770 MILLION.

B. REGARDING THREE "ADDITIONAL SUBJECTS", MENTIONED PAGE 25: ESTIMATED COST OF BUILDING NEW DEFENSE LINE IN SINAI IS \$150 MILLION; REPLACEMENT OIL VICE ABU RODEIS IS CALCULATED TO COST \$350 MILLION PER YEAR IN FOREIGN EXCHANGE, I.E., 435 MILLION FOR 4.4 MILLION TONS LESS \$85 MILLION WHICH IS CURRENT FOREIGN EXCHANGE COST OF ABU RODEIS OIL; CONSTRUCTION OF OIL STORAGE FACILITIES IS ESTIMATED TO COST \$50 MILLION PER YEAR FOR FOUR YEARS, FOR TOTAL COST OF \$200 MILLION EXCLUDING OIL FILL.

C. RE TAX REFORM ON PAGE 11, WHILE AVERAGE TAX RATES ARE NOW HIGHER, MARGINAL RATES ARE LOWER AND MOST TAX PAYERS WILL HAVE MORE TAKE HOME PAY.

D. OFFICIALS SAY THEY ASKED PRIME MINISTER RABIN ABOUT
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TEL AV 05087 060655Z

REPORT THAT HE MENTIONED \$1.5 TO \$2.0 BILLION AS MINIMUM AID LEVEL IN DISCUSSIONS WITH US CONGRESSIONAL LEADERS. RABIN REPLIED THAT HE WAS REFERRING ONLY TO DEFENSE IMPORTS.

5. COMMENT: OFFICIALS CHOSEN TO GO TO WASHINGTON ARE BEST QUALIFIED IN GOI TO DISCUSS BOP AND ISRAEL'S NEED FOR FINANCIAL ASSISTANCE, AND WE BELIEVE DISCUSSIONS WITH THEM WILL BE HIGHLY USEFUL TO WASHINGTON AGENCIES.

HOWEVER, SINCE BOTH GAFNI AND DOVRAT PLAN TO GO TO
WASHINGTON IN ANY EVENT IN EARLY SEPTEMBER TO ATTEND IMF
MEETING, IT WOULD SEEM DESIRABLE TO HAVE AID DISCUSSIONS
AT THAT TIME.
TOON

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN ASSISTANCE PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 AUG 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975TELAV05087
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750270-1220
From: TEL AVIV
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750876/aaaacoxl.tel
Line Count: 120
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 75 TEL AVIV 2799, 75 STATE 164032, 75 STATE 184174
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 02 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 JUN 2003 by CunninFX>; APPROVED <03 JUN 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FY-76 AID TO ISRAEL-REVISED "BLUE PAPER" ESTIMATES
TAGS: EAID, ECON, EFIN, IS, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006